



STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
CHARLES J. KROGMEIER, DIRECTOR

INFORMATIONAL LETTER NO. 891

DATE: March 25, 2010

TO: Iowa Medicaid providers in the following service categories:

- Home Health Agencies
- Remedial Service Providers
- Non-State-owned Psychiatric Medical Institutions for Children (PMIC)

ISSUED BY: Iowa Department of Human Services, Iowa Medicaid Enterprise (IME)

RE: 5% Reduction: New Rule Change

EFFECTIVE: December 1, 2009

On October 8, 2009 Governor Culver issued Executive Order 19 which mandated a 10 percent across-the-board cut in state government spending. As a result, the Department of Human Services enacted rule changes as part of the effort to achieve the savings required in the executive order. Some of those changes affect Medicaid reimbursement and were announced in Informational Letter 863.

Recently, some of the rules were amended to assist certain cost-based providers that are able to operate at costs below a lowered Medicaid cap. In the revised rules:

- The rate cap is lowered to 95% of what was in effect on November 30, 2009.
- Any **providers who can operate below that new cap would still get 100% of cost**, meaning those providers would not be subject to reimbursement of 95% of their actual cost (as under the original rule).

Excerpts from the proposed rules are found on the reverse side of this letter to demonstrate the changes. Official rules should be published around April 7, 2010 on the Office of Policy Analysis website at: <http://www.dhs.state.ia.us/policyanalysis/RulesPages/whatsnew.htm>

Providers will see this change reflected on their cost settlement for dates of service December 1, 2009 through June 30, 2010. These changes are subject to final approval by CMS, which is pending.

The IME appreciates your partnership as we work together to serve the needs of Iowa Medicaid members. If you have any questions, please contact the IME Provider Services Unit at 1-800-338-7909, locally (in Des Moines) at (515) 256-4609 or by e-mail at: imeproviderservices@dhs.state.ia.us.

Related rule excerpts:

79.16(2) Notwithstanding any provision of subrule 79.1(2), the basis of reimbursement for skilled nursing, physical therapy, occupational therapy, home health aide, medical social services, and home health care for maternity patients and children provided by home health agencies shall be retrospective cost-related with cost settlement based on the lesser of the following:

- a. The maximum Medicare rate in effect November 30, 2009, less 5 percent,
- b. The maximum Medicaid rate in effect November 30, 2009, less 5 percent, or
- c. 95 percent of the reasonable and allowable Medicaid cost.

***Amended 79.16(2)** Notwithstanding any provision of subrule 79.1(2), the basis of reimbursement for skilled nursing, physical therapy, occupational therapy, home health aide, and medical social services, and home health care for maternity patients and children provided by home health agencies shall be retrospective cost-related with cost settlement based on the lesser of the following:*

- a. The maximum Medicare rate in effect November 30, 2009, less 5 percent,*
- b. The maximum Medicaid rate in effect November 30, 2009, less 5 percent, or*
- c. **100 percent** of the reasonable and allowable Medicaid cost.*

79.16(3) Notwithstanding any provision of subrule 79.1(2), the basis of reimbursement for private duty nursing and personal care for persons aged 20 or under provided by home health agencies shall be retrospective cost-related with cost settlement based on the lesser of the following:

- a. The maximum Medicaid rate in effect November 30, 2009 less 5 percent, or
- b. 95 percent of reasonable and allowable Medicaid cost.

***Amended 79.16(3)** Notwithstanding any provision of subrule 79.1(2), the basis of reimbursement for private duty nursing and personal care for persons aged 20 or under provided by home health agencies shall be retrospective cost-related with cost settlement based on the lesser of the following:*

- a. The maximum Medicaid rate in effect November 30, 2009, less 5 percent, or*
- b. **100 percent** of the reasonable and allowable Medicaid cost.*

79.16(4) Notwithstanding any provision in subrule 79.1(2) or 79.1(23), the basis of reimbursement for remedial services providers shall be consistent with the methodology described in subrule 79.1(23) except that reasonable and proper cost of operation is equal to actual and allowable cost less 5 percent subject to the established rate maximum less 5 percent.

***Amended 79.16(4)** Notwithstanding any provision of subrule 79.1(2) or 79.1(23), the basis of reimbursement for remedial services providers shall be consistent with the methodology described in subrule 79.1(23) except that the reasonable and proper cost of operation is equal to **100 percent** of the actual and allowable cost subject to the established rate maximum less 5 percent.*

79.16(6) Notwithstanding any provision of subrule 79.1(2) or rule 441-85.25(249A), the basis of reimbursement for non-state owned psychiatric medical institutions for children shall be consistent with the methodology described in 441-subrule 85.25(1) except that the per diem rate shall be based on the facility's cost for the service less 5 percent, not to exceed the upper limit less 5 percent as provided in 441-subrule 79.1(2).

***Amended 79.16(6)** Notwithstanding any provision of subrule 79.1(2) or rule 441--85.25(249A), the basis of reimbursement for non-state-owned psychiatric medical institutions for children shall be consistent with the methodology described in 441--subrule 85.25(1) except that the per diem rate shall be based on the facility's cost for the service, not to exceed the upper limit as provided in 441--subrule 79.1(2) less 5 percent.*